

TENNESSEE REGULATORY AUTHORITY



Pat Miller, Chairman
Deborah Taylor Tate, Director
Sara Kyle, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

T.R.A. DOCKET ROOM

2005 APR 26 AM 9:30

RECEIVED

April 25, 2005

H. LaDon Baltimore
Farrar & Bates, LLP
211 – 7th Avenue North, Suite 420
Nashville, TN 37219-1823

RE: Docket No. 04-00372 – Petition of Hickory Star Water Company, LLC for Approval of Wholesale Water Rate Pass-Through Mechanism

Dear Mr. Baltimore:

In order to address concerns expressed by the TRA Directors at the April 18, 2005, Authority Conference and clarify previous answers to Staff data requests, please provide the following information.

- 1) Explain and justify how the proposed formula complies with the Hearing Officer's Order, especially part 1 (proof as to the existing wholesale water cost contained in the Company's base rates) and part 4 (a proposal as to how to treat any over or under collected water costs).
- 2) Explain fluctuations in purchases and sales of water and whether such annual fluctuations could impact the proposed pass-through mechanism.
- 3) Would the company agree to a true-up 12 months following the pass through of water costs via the proposed pass-through mechanism? If not, please explain how the company can ensure that the appropriate amount of additional water costs are recovered, especially given the historical fluctuations in water volumes.
- 4) Hickory Star provided the following rate schedule from Maynardville:

Monthly fee	\$ 1,623 00
First 2000 gallons	\$ 12.25
Next 8000 gallons	\$ 4 55 /1000 gallons
Next 10000 gallons	\$ 4.25 /1000 gallons
Next 30000 gallons	\$ 3.80 /1000 gallons
All over 50000 gallons	\$ 3.50 /1000 gallons

However, dividing the amount billed to Hickory Star in 2002, 2003, and 2004 by the gallons of water sold to Hickory Star, the following rates are calculated:

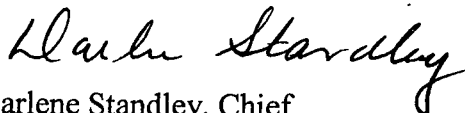
Monthly fee	\$ 1,623.00
First 2000 gallons	\$ 13 75
Next 8000 gallons	\$ 5.39 /1000 gallons
Next 10000 gallons	\$ 4 95 /1000 gallons
Next 30000 gallons	\$ 4.46 /1000 gallons
All over 50000 gallons	\$ 4.13 /1000 gallons

Please explain this discrepancy.

- 5) It appears that Hickory Star was not charged the \$1623 monthly fee on the bill due July 13, 2004. Please explain.
- 6) Water losses are attributed to construction flushing and pipe leaks in February 2004 and March 2004. Please provide an explanation for the significant losses in the remainder of 2004.
- 7) Starting with the bill due September 10, 2004, Maynardville no longer charged Hickory Star sales tax. Taxes were not included in any months of the 2004 summary of individual customer invoices provided by the Company; however, there is no way to determine whether customers were not charged sales tax or whether the summary report just excluded sales tax. Explain when and why Maynardville stopped charging Hickory Star sales tax and verify when and if Hickory Star stopped charging its retail customers sales tax.
- 8) Explain why a pass-through mechanism is needed when Hickory Star has not experienced and does not expect a wholesale rate increase.

It is requested that this information be provided no later than 2:00 p.m. on May 9, 2005, and that you reference Docket No. 04-00372 on the response. In accordance with TRA rules submit either (1) thirteen written copies of your response or (2) four written copies and an electronic version. Should you have any questions regarding this request, please contact Ginger Collier at (615) 741-2904, ext. 174.

Sincerely,



Darlene Standley, Chief
Utilities Division